

## Message Text

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TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

C O N F I D E N T I A L STATE 019435

FOR EA ONLY, MANILA POUCH CEBU

E.O. 11652: GDS

TAGS: ENRG, MARR, ETRD, RP

SUBJECT: WEEKLY STATUS REPORT

TO: EA - MR. HOLBROOKE

FROM: EA/PHL - BENJAMIN A. FLECK

SUBJECT: WEEKLY STATUS REPORT - PHILIPPINES

1. USG ACTIONS ON WESTINGHOUSE NUCLEAR POWER PLANT  
ISSUE (CONFIDENTIAL)

WE WILL SHORTLY BE RECEIVING THE LAST OF A NUMBER OF  
CLEARANCES REQUIRED FOR A CABLE RESPONDING TO EMBASSY  
MANILA'S REQUEST FOR THE CURRENT STATE OF PLAY AND  
GUIDANCE ON USG ACTIONS IN THE WESTINGHOUSE NUCLEAR  
POWER PLANT CASE. THE GIST OF THE MESSAGE WILL INDICATE  
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THAT JUSTICE'S INVESTIGATION OF THE PROJECT FOR IMPROPER  
WESTINGHOUSE PAYMENTS REMAINS TENTATIVE AND NO DECISION  
AS TO WHETHER IT WILL PROCEED OR DROP THE CASE CAN BE  
EXPECTED FOR SEVERAL MONTHS; THAT ON INFORMATION AVAIL-  
ABLE AT THE PRESENT TIME, EXIM HAS EVERY INTENTION OF  
HONORING ITS 1976 COMMITMENT TO ASSIST IN THE FINANCING  
OF THE PROJECT; THAT IT WILL TAKE SOME TIME TO REPLY TO

BOTH OF CONGRESSMAN LONG'S LETTERS (TO STATE AND NRC) BUT THAT HIS OBJECTIONS WILL BE ONLY ONE ELEMENT TAKEN INTO ACCOUNT BY THE NRC COMMISSIONERS WHEN THEY REVIEW THE EXPORT APPLICATION FOR THE REACTOR AND ASSOCIATED EQUIPMENT; AND THAT FOR VARIOUS OES AND NRC STAFF REASONS IT WILL BE AT LEAST A MONTH, AND POSSIBLY LONGER, BEFORE THE COMMISSIONERS ARE IN A POSITION TO CONSIDER THE EXPORT LICENSE QUESTION.

2. RADAR ,(CONFIDENTIAL)

THE ADVANCED STATE OF CONTRACT NEGOTIATIONS FOR SUPPLYING A COMPLETE RADAR SYSTEM FOR THE SOUTHERN PHILIPPINES (INCLUDING THE DISPUTED SPRATLY ISLANDS) BETWEEN THE INTERNATIONAL TECHNICAL PRODUCTS CORPORATION (ITPC) AND THE PHILIPPINE ARMED FORCES WILL BE A COMPLICATING FACTOR IN OUR STUDY OF THE GOP'S REQUEST FOR RADAR AS PART OF THE BASE COMPENSATION PACKAGE. ITPC VICE PRESIDENT REICHENBACH VISITED EA/PHL TODAY IN RESPONSE TO OUR INVITATION AFTER HE CALLED YOUR OFFICE FOR AN APPOINTMENT. HE HAD CALLED ON LEE STULL IN MANILA LAST WEEK AND VISITED GENERAL FISH AT DSAA PREVIOUSLY. REICHENBACH MAINTAINS, WITH CONSIDERABLE DOCUMENTATION, THAT THE USG WILL NOT BE ABLE TO MAKE AS PROMPT, THOROUGH AND, ULTIMATELY, INEXPENSIVE PROPOSAL FOR A RADAR SYSTEM AS THAT NEGOTIATED OVER THE LAST FOUR YEARS BY HIS COMPANY. HE

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SHOWED US, ON A CONFIDENTIAL BASIS, RECENT CORRESPONDENCE BETWEEN ENRILE AND MARCOS IN WHICH ENRILE URGED MARCOS TO APPROVE THE DOLS 30 MILLION PROJECT NOW SINCE ENRILE WAS CONVINCED THE U.S. WOULD NOT MAKE AN OFFER WHICH SATISFIES HIS REQUIREMENTS. MARCOS INSISTED ON AWAITING THE USG OFFER. WE WILL HAVE A PROPOSAL FOR DEALING WITH THIS THORNY PROBLEM FOR DISCUSSION AT YOUR THURSDAY MEETING ON THE DEFENSE EQUIPMENT TEAM.

3. GOP STILL HOPES FOR EXEMPTION FROM U.S. STEEL IMPORT REGULATIONS (LIMITED OFFICIAL USE)

THE PHILIPPINES HAS FOLLOWED UP ON A REQUEST MADE A FEW WEEKS AGO THROUGH EMBASSY MANILA THAT DEVELOPING COUNTRIES BE EXCLUDED FROM THE USG'S PROPOSED "TRIGGER PRICE" MECHANISM (KEYED TO JAPANESE COSTS OF PRODUCTION) FOR LIMITING IMPORTS OF STEEL PRODUCTS INTO THE U.S. THE DEPARTMENT REPLIED THAT THE U.S. IS NOT CONSIDERING EXEMPTING ANY SUPPLYING COUNTRIES SINCE IT WOULD UNDERMINE THE OBJECTIVE OF THE MECHANISM (BY PROVIDING A MAJOR LOOPHOLE FOR INCREASED SHIPMENTS FROM SUCH LDC'S AS SOUTH KOREA AND TAIWAN) AND WOULD RECOGNIZE DUMPING AS A

LEGITIMATE MARKET STRATEGY FOR THE LDC'S.

IN ADDRESSING ITSELF TO OUR FIRST ARGUMENT, THE GOP REJOINED IN A JANUARY 19 DIPLOMATIC NOTE WITH THE SUGGESTION THAT EXEMPTION BE GIVEN FOR DEVELOPING COUNTRIES WHICH (1) HAVE SHIPPED AND WILL UNDERTAKE TO SHIP TO THE U.S. NOT MORE THAN 180,000 M.T. OF STEEL PER YEAR, AND (2) MEET AN ADDITIONAL CRITERION RELATED TO THE LDC'S LEVEL OF DEVELOPMENT, SUCH AS ITS PER CAPITA GNP. THESE LIMITATIONS, THE NOTE STATED, WILL INSURE THAT THE VOLUME OF IMPORTS FROM LDC'S WOULD REMAIN AT A LEVEL THAT WOULD NOT CAUSE INJURY TO U.S. STEEL PRODUCERS, AND AT THE SAME TIME PROVIDE DIFFERENTIATED TREATMENT FOR COUNTRIES IN THE LOWER SCALE OF DEVELOPMENT. THE  
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NOTE DID NOT ADDRESS ITSELF TO THE QUESTION OF PHILIPPINE COSTS OF STEEL PRODUCTION, PRESUMABLY IN EXPECTATION THAT THE GOP WOULD TRY TO JUSTIFY PHILIPPINE PRICES ON THE BASIS OF COSTS BELOW JAPANESE COSTS IN THE EVENT OF A U.S. ANTI-DUMPING INVESTIGATION.

WHILE THE DEPARTMENT'S RESPONSE TO THIS SECOND APPROACH IS ALSO LIKELY TO BE NEGATIVE, IT MAY SUGGEST, IN EFFECT, THAT THERE IS SOME LEEWAY FOR MODEST LDC STEEL SHIPMENTS -- (BY A CAREFUL READING OF) USG REGULATIONS PROVIDING THAT IN THE CASE OF "SUBSTANTIAL" AND REPEATED SHIPMENTS OF STEEL BELOW THE REFERENCE PRICE, TREASURY "MAY" TAKE ACTION.

4. PLEASE NOTE FOR EA ONLY CAPTION.

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**TAGS:** ENRG, MARR, ETRD, TECH, PEPR, RP, US, WESTINGHOUSE  
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